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FM AMEMBASSY KATHMANDU  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9696  
INFO RUEHLM/AMEMBASSY COLOMBO PRIORITY 4035  
RUEHKA/AMEMBASSY DHAKA PRIORITY 9083  
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 2008  
RUEHLO/AMEMBASSY LONDON PRIORITY 3466  
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 8968  
RHEHNSC/NSC WASHDC PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY

C O N F I D E N T I A L KATHMANDU 002952

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E.O. 12958: DECL: 12/29/2015  
TAGS: [ECON](#) [EPET](#) [ENRG](#) [ETRD](#) [EFIN](#) [PGOV](#) [NP](#)  
SUBJECT: INDIAN OIL CORPORATION FLEXIBLE WITH NEPAL'S LATE  
PAYMENTS

REF: KATHMANDU 2555

Classified By: CDA Elisabeth I. Millard, reasons 1.4 (b/d)

THE IOC WILL BE FLEXIBLE WITH LATE PAYMENTS FROM NEPAL  
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¶1. (C) The Nepal Oil Corporation (NOC) and Indian Oil Corporation (IOC) concluded a three-day review meeting on December 25th in which the IOC stated it "would extend maximum help" to the NOC regarding the NOC's request to extend payment deadlines. The NOC has recently paid import bills late and in installments (reftel). Suresh Kumar Agarwal, Director of Marketing, NOC, told Emboff that "the IOC's response to more flexible terms of payment as proposed by the NOC was very positive." Agarwal added that the issue of the NOC's outstanding interest payments (charged by the IOC on late payments) to the IOC was not discussed at the meeting.

MORE COOKING GAS AND NEXT REVIEW MEETING  
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¶2. (U) The IOC agreed to the NOC's request to supply more cooking gas.

¶3. (U) Per an agreement between the IOC and NOC, review meetings are to be held every six months. However, this was the first review meeting held in two years. The two parties scheduled the next review meeting for February 2006 in Mumbai, India.

COMMENT  
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¶4. (C) While deregulation of the petroleum industry would solve the subsidy problem, the move would be unpopular with voters. With municipal elections scheduled for February 2006, Post does not expect His Majesty's Government of Nepal to deregulate the petroleum industry anytime soon. The current practice of late and installment payments to the IOC is likely to continue. Further, Post believes that the IOC probably chose not to discuss outstanding interest payments because the issue was less urgent than receiving payment for imports in general.

MILLARD